



e Retirement Report

• October 2006 •

Service Credit Purchase/Transfer Among Ohio Public Pension Plans

In January 2002, the Cincinnati Retirement System entered into “reciprocity” agreements with the statewide Ohio public pension plans (PERS, STRS, SERS, OP&F, and State Highway Patrol) making it possible for active members of these plans to purchase additional service credit if they were former members of any one of Ohio public pension plans. For example, if you were a member of the Ohio Public Employees Retirement System as a result of working for another Ohio governmental agency prior to your City employment, you would be eligible to purchase/transfer that service time to the CRS. Also, these reciprocity agreements allow former members of the CRS to transfer their CRS time if they leave City service and become a member of another Ohio public fund. If contributions were not withdrawn, there may be little or no cost to transfer the service credit. If contributions were withdrawn, there is a cost associated with the trans-

fer of the service credit. The contributions that were withdrawn, plus interest, must be repaid in order to obtain credit for the prior service.

At the same time that the CRS entered into the reciprocity agreements, new rules were adopted for the purchase of prior CRS service time. Active members of the CRS that have received a refund of previous contributions to the CRS can re-purchase the prior service time. The contributions that were withdrawn from CRS, plus interest, must be repaid in order to obtain credit for this prior service time. If the prior service occurred prior to July 1, 1991, the position you held must have been a full-time permanent position to be eligible for purchase of prior service. Part-time, seasonal, or co-op positions held prior to July 1, 1991 are not eligible for purchase of prior service credit. All service credit earned after July 1, 1991 is eligible to be re-purchased.

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FACTS AND FIGURES

From Plansponsor.com

Health care costs for the average family of four enrolled in a typical employer-sponsored preferred provider organization plan grew 9.6% from 2005 to 2006 to a national average of \$13,382, according to the Milliman Medical Index 2006. Most of that increase resulted from outpatient treatment costs, which surged 12.6% between 2005 and 2006, the report found. This was followed by hospital inpatient costs, which grew by 9.3%; pharmacy costs, which climbed 8.3%; and physician costs, which increased 5.9%. Of the \$13,382 total average spending, employers paid about \$8,362, while employees paid about \$5,020, including \$2,810 in payroll deductions for premium contributions and \$2,210 in medical cost-sharing including co-payments and deductibles.

Medicare Part B – Changes on the Horizon

Effective January 1, 2007, the Social Security Administration (SSA) will start determining the Medicare Part B premium based on a person's income. “Higher income” seniors as determined by Medicare will be charged more for Medicare premiums. This change comes as part of the 2003 Medicare drug legislation. Cincinnati Retirement System (CRS) pensioners are currently reimbursed for Medicare part B (which helps pay the cost of doctor visits, diagnostic tests and other routine care) as part of their overall health coverage.

The CRS Board is considering a proposal to reimburse at the base premium rate established by Medicare; however, any additional fee established for the higher income retirees would not be included. The income considered by Medicare will include the CRS pension, in addition to other sources of income. The proposed policy will provide 100% reimbursement for CRS retirees not falling into the higher income designations.

Currently, the Medicare premium that eligible retirees pay (\$88.50 per month) is 25% of the total cost. The SSA pays the other 75%, or \$265.50, in 2006. This will change in 2007 when the SSA starts phasing in higher premiums for seniors with higher incomes. The following chart illustrates what estimated premiums may look like for 2007, as the Social Security Administration begins “income relating” or Means Testing:

Income: Individuals	Income: Filing jointly	Monthly premium in 2006	Estimated Monthly premium in 2007*	Monthly CRS Retiree portion after base rate reimbursement in 2007
Under \$80,000	Under \$160,000	\$88.50	\$93.50 (base rate)	\$0.00
\$80,000 - \$100,00	\$160,000 - \$200,000	\$88.50	\$106.00	\$12.50
\$100,000 - \$150,000	\$200,000 - \$300,000	\$88.50	\$124.70	\$30.50
\$150,000 - \$200,000	\$300,000 - \$400,000	\$88.50	\$143.40	\$49.90
Above \$200,000	Above \$400,000	\$88.50	\$162.10	\$68.60

*Source: *Medicare Premiums and Deductibles for 2007, Centers for Medicare and Medicaid Services, September 12, 2006.*

Based upon the above, some CRS retirees who fall into the higher income categories may see an increase in their net Medicare fees. **This proposal is scheduled for a vote of the Board of Trustees at its scheduled December 7, 2006 meeting.**

